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ENGAGEMENT/AUDIT PROGRAM

APPLICABLE GUIDANCE – IIA PRACTICE ADVISORIES (PA)

IIA Practice Advisory 2240-1

1. Internal auditors develop and obtain documented approval of work programs before commencing the internal audit Engagement/Audit. The work program includes methodologies to be used, such as technology-based audit and sampling techniques.

REQUIREMENTS – RELEVANT PROFESSIONAL STANDARDS

GAGAS

FINANCIAL AUDITS

4.03 The three AICPA generally accepted standards of field work are as follows:

- a) The auditor **must** adequately plan the work and must properly supervise any assistants.
- b) *(purposely omitted)*
- c) The auditor **must** obtain sufficient appropriate audit evidence by performing **audit procedures** to afford a reasonable basis for an opinion regarding the financial statements under audit.

4.19 Under AICPA standards and GAGAS, auditors **must** prepare audit documentation in connection with each audit in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of audit procedures performed), the audit evidence obtained and its source, and the conclusions reached. Under AICPA standards and GAGAS, auditors should prepare audit documentation that enables an experienced auditor, having no previous connection to the audit, to understand:

- a) the nature, timing, and extent of auditing procedures performed to comply with GAGAS and other applicable standards and requirements;

ATTESTATION ENGAGEMENTS

6.04 The two AICPA field work standards for attestation engagements are as follows:

- a) The practitioner [auditor] **must** adequately plan the work and must properly supervise any assistants.
- b) The practitioner [auditor] **must** obtain sufficient evidence to provide a reasonable basis for the conclusion that is expressed in the report.

6.22 Auditors also **should** document the following for attestation engagements performed under GAGAS:

- a) **the objectives, scope, and methodology** of the attestation engagement;
- b) **the work performed** to support significant judgments and conclusions, including descriptions of transactions and records examined;

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PERFORMANCE AUDITS

7.06 Auditors **must** adequately plan and **document the planning** of the work necessary to address the audit objectives.

7.50 Auditors **must** prepare a **written audit plan** for each audit. The form and content of the written audit plan may vary among audits and **may** include an audit strategy, **audit program**, project plan, audit planning paper, or other appropriate documentation of key decisions about the audit objectives, scope, and methodology and the auditors' basis for those decisions. Auditors should update the plan, as necessary, to reflect any significant changes to the plan made during the audit.

7.80 Under GAGAS, auditors **should** document the following:

- the objectives, scope, and methodology of the audit;
- **the work performed to support significant judgments and conclusions, including descriptions of transactions and records examined; and**
- evidence of supervisory review, before the audit report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the audit report.

IIA

2240-Engagement Work Program

Internal auditors **must** develop and document work programs that achieve the engagement objectives.

2240.A1- Work programs **must** include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program **must** be approved prior to its implementation, and any adjustments approved promptly.

2240.C1 - Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

NOTE: As identified in the second bullet above, the Engagement Program is a documented representation of the work to be performed and thus, it is a listing of specific audit procedures that are designed to meet identified audit objectives, reduce audit risk, and provide the framework for sufficient and adequate documentation to support conclusions.

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SCOPE

APPLICABLE GUIDANCE – IIA PRACTICE ADVISORIES (PA)

PA 2200-1

2. The CAE should require a level of formality and documentation (e.g., of the results of planning meetings, risk assessment procedures, level of detail in the work program, etc.) that is appropriate to the organization. Factors to consider would include:

- Whether the work performed and/or the results of the engagement will be relied upon by others (e.g., external auditors, regulators, or management).
- Whether the work relates to matters that may be involved in potential or current litigation.
- The experience level of the internal audit staff and the level of direct supervision required.
- Whether the project is staffed internally, by guest auditors, or by external service providers.
- The project's complexity and **scope**.
- The size of the internal audit activity.
- The value of documentation (e.g., whether it will be used in subsequent years).

PA 2210-1

3) After identifying the risks, the auditor *determines the procedures to be performed* and the **scope** (nature, timing, and extent) of those procedures. Engagement procedures performed in appropriate **scope** are the means to derive conclusions related to the engagement objectives.

PA 2210.A1-1

4) Internal auditors summarize the results from the reviews of management's assessment of risk, the background information, and any survey work. The summary includes:

- Significant engagement issues and reasons for pursuing them in more depth.
- Engagement objectives and procedures.
- Methodologies to be used, such as technology-based audit and sampling techniques.
- Potential critical control points, control deficiencies, and/or excess controls.
- When applicable, reasons for not continuing the engagement or for significantly modifying engagement objectives.

PA 2240-1

1) Internal auditors develop and obtain documented approval of work programs before commencing the internal audit engagement. The work program includes methodologies to be used, such as technology-based audit and **sampling techniques**.

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REQUIREMENTS –

General – GAGAS and the IIA refers to scope and the requirement to identify, report, and/or disclose impairments or limitations to the scope that is required to meet the objective. It also refers to a potential modification to stating compliance with GAGAS based on scope limitations.

Per [GAGAS 7.09](#), Audit Scope is: *“the boundary of the audit and is directly tied to the audit objectives. The scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the period of time reviewed, and the locations that will be included.”*

2200 – Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, **scope**, timing, and resource allocations.

2210 – Engagement Objectives

Objectives **must** be established for each engagement.

2210.A1 – Internal auditors **must** conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2220 – Engagement Scope

The established scope **must** be sufficient to satisfy the objectives of the engagement.

2220.A1 – The scope of the engagement **must** include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2240 – Engagement Work Program

Internal auditors must develop and document work programs that achieve the engagement objectives.

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ENGAGEMENT/AUDIT OBJECTIVES

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1. **Internal auditors establish engagement objectives to address the risks associated with the activity under review.** For planned engagements, the objectives proceed and align to those initially identified during the risk assessment process from which the internal audit plan is derived. For unplanned engagements, the objectives are established prior to the start of the engagement and are designed to address the specific issue that prompted the engagement.
2. **The risk assessment during the engagement's planning phase is used to further define the initial objectives and identify other significant areas of concern.**
3. **After identifying the risks, the auditor determines the procedures to be performed and the scope (nature, timing, and extent) of those procedures. Engagement procedures performed in appropriate scope are the means to derive conclusions related to the engagement objectives.**

REQUIREMENTS –

RELEVANT PROFESSIONAL STANDARDS

GAGAS

FINANCIAL & ATTESTATION

1.18 All audits and attestation *engagements begin with **objectives***, and those objectives determine the type of audit to be performed and the applicable standards to be followed. The types of audits that are covered by GAGAS, as defined by their objectives, are classified in this document as financial audits, attestation engagements, and performance audits.

PERFORMANCE

1.28 Performance audit objectives may vary widely and include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and prospective analyses. These overall objectives are not mutually exclusive. Thus, a performance audit may have more than one overall objective. For example, a performance audit with an initial objective of program effectiveness may also involve an underlying objective of evaluating internal controls to determine the reasons for a program's lack of effectiveness or how effectiveness can be improved.

7.08 The objectives are what the audit is intended to accomplish. They identify the audit subject matter and performance aspects to be included, and may also include the potential findings and reporting elements that the auditors expect to develop. Audit objectives can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

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IIA STANDARDS

2201 Planning Considerations

In planning the engagement, the AD considers:

- **The objectives of the activity being reviewed** and the means by which the activity controls its performance and achievement of those objectives.
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact and/or likelihood of risk is kept to an acceptable level.
- The adequacy and effectiveness of the activity's risk management and control systems compared to a relevant control framework or model.
- The opportunities for making significant improvements to the activities risk management and control systems.

2210 Engagement Objectives

Objectives **must** be established for each engagement.

2210.A1 – Internal auditors **must** conduct a preliminary assessment of the risks relevant to the activity under review. **Engagement objectives must reflect the results of this assessment.**

2210.A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.

2210.C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.
